

Service Date: August 16, 1983

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER Of The Application	)	
Of The TOWN OF LODGE GRASS For	)	UTILITY DIVISION
Authority To Increase Water Rates And	)	DOCKET NO. 82.11.77
Charges.	)	ORDER NO. 4953a

APPEARANCES

FOR THE APPLICANT:

Patty Harris, Town Clerk, Town of Lodge Grass, Lodge Grass, Montana 59050.

FOR THE COMMISSION:

Opal Winebrenner, Staff Attorney, 1227 11th Avenue, Helena, Montana 59620.

BEFORE:

Thomas J. Schneider, Commissioner, Presiding Officer  
Danny Oberg, Commissioner

BACKGROUND

1. On November 10, 1982, the Town of Lodge Grass (Applicant or Town) filed an application with this Commission for Authority to increase water rates for its Lodge Grass, Montana customers on a permanent basis by approximately 54%, which constitutes an annual revenue increase of approximately \$4,641.

2. On November 19, 1982, the Applicant filed an application for an interim increase in rates of approximately 54% equaling a revenue increase of approximately \$4,641 or 100% of the proposed permanent increase.

3. On December 7, 1982, the Commission having considered the data filed with the Applicant's interim application, issued Order No. 4953 granting the Applicant interim rate relief in the amount of \$4,641 annually.

The Applicant, at the time of its filing for interim relief, was unable to demonstrate that it was "suffering an obvious income deficiency" due to the fact that the prior Town Clerk failed to maintain adequate books and records relative to the water utility operations. Given the unique circumstances surrounding the Town's inability to provide adequate financial documentation, the Commission waived ARM 38.5.506 requirements that the utility must show it is suffering an obvious income deficiency.

The Commission, in Order No. 4953, found that the Applicant should submit monthly financial statements to the Commission, relative to the water utility operations, in an effort to insure that the interim rates approved in that order were just and reasonable. The Applicant submitted monthly statements beginning January, 1983.

4. On July 13, 1983, pursuant to notice of public hearing, a hearing was held in the Town Council Chambers, Town Hall, Lodge Grass, Montana. The purpose of the hearing was to consider the merits of the Applicant's proposed water rate adjustment. At the close of the public hearing, the Town waived its rights to a proposed order and stipulated to authorize the Commission to issue a final order in this Docket, Section 2-4-622, MCA.

#### ANALYSIS AND FINDINGS OF FACT

5. At the public hearing the Applicant presented the testimony and exhibits of:

Patti Harris, Town Clerk  
George Lix, Mayor

These witnesses testified relative to: the Town's previous inability to provide adequate financial data, the present financial condition of the water utility, the Montana Coal Board's requirement that water rates be increased and the condition of present utility plant.

6. No public testimony was presented at the public hearing.

7. From the outset of the proceedings in this Docket, the Town has been candid about its inability to provide adequate financial data which would support its contention that an increase in rates is necessary. As explained to the Commission, the person holding the position of

Town Clerk, prior to July, 1982, failed to maintain books and records sufficient to allow for the reconstruction of prior period financial data.

In the absence of this financial data, the Commission decided when it issued this Docket's interim rate order, that an appropriate method of determining the adequacy and reasonableness of the proposed rates, was to allow implementation of the proposed rates on a temporary basis. Allowing the implementation of the proposed rates on an interim basis served a dual purpose. The first being an accumulation of financial data with the revenues at the proposed level to allow the Commission to make an informed decision as to the adequacy and reasonableness of the rates. Second, allowing the rates to be effective on an interim basis protected the consumer if the proposed rates were excessive as the Commission would have the ability to order a rebate of all excess revenues.

8. During the period January through June 1983, the Applicant submitted monthly financial statements to this Commission in compliance with Order No. 4953. A six-month composite of the revenues, at the proposed rate level, and expenses at present levels for the water utility indicates the following:

Revenue	\$ 9,975
Expense	<u>12,546</u>
Net Loss	(\$ 2,571)

9. The composite financial statement indicates that the Applicant, during the period January 1, 1983 through June 30, 1983, sustained a net operating loss of \$2,571. This would appear to indicate that the rates as proposed by the Applicant are not adequate to cover the cost of operating the water utility. It must be remembered, however, that a six-month period does not portray financial performance with the degree of accuracy necessary to make a conclusions, given fluctuations in revenues and expense that can occur after the short term.

The short term financial data submitted by the Applicant can be used as an indicator. In this instance, the data would indicate that the proposed rates are reasonable and could over the period of a year, with the elimination of short-term fluctuations in revenue and expense, provide adequate revenue to allow for proper operation of the water utility.

10. As a late filed exhibit, the Town submitted a copy of its proposed fiscal year 1984 budget. The budget document indicates the Applicant anticipates generating \$20,330 in annual

revenues, under the proposed rates, and incurring operating expenses of \$22,850. The budget document's revenue and expense closely approximate the Applicant's actual experience for the period January through June 1983, and reinforces the Commission's position that the proposed rates could provide adequate revenues to operate the utility.

11. The Applicant has received funds from the Montana Coal Board and the Bureau of Indian Affairs Public Health Service to maintain and upgrade existing utility plant. As a prerequisite for obtaining funds from the Montana Coal Board, the Town was directed to file an application with this Commission for implementation of rates that would be sufficient to adequately maintain the existing utility facilities.

Prior to filing the application for increased rates with this Commission, the Town submitted the rates to the Montana Coal Board for their review and acceptance of the proposed rates. Upon review, the Montana Coal Board informed the Town that the rates, presented to them and subsequently filed with this Commission, were acceptable and satisfied the prerequisite for obtaining Board funds.

12. The Applicant, at the public hearing, expressed a desire to increase the consumption rates by a percentage amount equal to the percentage increase in the minimum charge. While the Commission agrees that the consumption rate should be increased, absent substantial data relative to the consumption patterns of the consumers, the Commission cannot determine the revenue impact or the appropriate level of increase to apply to the various consumption blocks. The Commission also recognizes that it is limited by the notice of public hearing to granting a revenue increase in an amount no greater than that contained in the notice of public hearing. The Commission finds it inappropriate, at this time, to make any modifications to the Applicant's consumption rates. The Commission does recommend that the Applicant examine increasing those rates when, and if, it becomes necessary to generate additional revenues in the future.

13. Based upon the preceding findings of fact, the Commission finds that the Applicant's proposed rate increase of \$4,641 should be approved as filed.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding. Section 69-3-102, MCA.
2. The Commission afforded all interested parties in this proceeding proper notice and an opportunity to participate. Section 69-3-303, MCA.
3. The rates approved herein are reasonable, just and proper. Section 69-3-201, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Town of Lodge Grass shall file tariffs, consistent with the Findings of Fact herein, generating an annual revenue increase of \$4,641. These revenues are in lieu of and not in addition to the revenues granted in this Commission's Interim Order No. 4953.
2. The rates approved for the Town of Lodge Grass in Interim Order No. 4953 are hereby made permanent and shall be effective for services rendered on and after August 15, 1983.
3. A full, true and correct copy of this Order shall be sent forthwith by first class United States mail to the Applicant and all other appearances herein.

DONE IN OPEN SESSION at Helena, Montana this 15th day of August, 1983 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

---

Thomas J. Schneider, Chairman

---

John B. Driscoll, Commissioner

---

Howard L. Ellis, Commissioner

---

Clyde Jarvis, Commissioner

---

Danny Oberg, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.